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Senate speeds surcharge's exit

Dems object, say bills to ease business tax burden will cripple state budget

Gary Heinlein / Detroit News Lansing Bureau

LANSING -- The Senate passed bills Thursday to accelerate the phase-out of a surcharge on Michigan's main business tax, and provide tax relief to an estimated 50,000 Michigan companies.

The passage was a mostly party-line vote led by the Republican majority. Under the more-prominent of the two bills, a 22 percent surcharge on the Michigan Business Tax would be eliminated over a three-year period, rather than over 10 years.

It would drop to 14.66 percent next year, 7.33 percent in 2010 and disappear in 2011. The nine-month-old Michigan Business Tax replaced Michigan's reviled Single Business Tax.

"This measure is long overdue," said Sen. Nancy Cassis, R-Novi, head of the Senate Finance Committee. "This onerous surcharge, heaped on top of the MBT, has prompted many business owners to consider expanding or locating elsewhere."

Said Richard E. Blouse Jr., president and CEO of the Detroit Regional chamber: "The Michigan Senate took a significant step toward turning the state's battered economy around. Now more than ever, Michigan needs to encourage businesses to invest and grow jobs here, not chase them away."

But approval came over the objections of Democrats, who called it a precipitous move that would blow another big hole in the state budget.

The surcharge, tacked on to the new business tax as it took effect in January, was part of the solution to a \$1.8-billion budget problem that gridlocked the Legislature for the month of September last year.

"This bill is fiscally irresponsible," said Sen. Michael Switalski, D-Roseville. "It will return us to the bad, old days."

The Senate bill would reduce state government's revenue from the business tax by \$333 million next year, \$556 million in 2010 and \$660 million in 2011, according to an analysis by the Senate Fiscal Agency. That would have to be made up with other taxes or with cuts in government services to citizens, Democrats said.

The second Senate-passed bill would change the definition of gross receipts under the Michigan Business Tax, ending what supporters termed "a tax on a tax" affecting a substantial number of businesses.

Both bills are headed to the House, where there's support for the gross receipts measure but likely not for the surcharge phase-out -- at least not as approved 26-12 by the Senate.

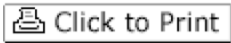
Greg Bird, press secretary to House Speaker Andy Dillon, D-Redford Township, said Dillon wants to discuss the phase-out proposal with Senate Majority Leader Mike Bishop, R-Rochester. He hopes to include in that discussion a property tax reform plan -- unanimously passed by the House but not yet sent over to the Senate -- that would require a constitutional amendment.

"The speaker long has hoped we could work toward eliminating the surcharge," Bird said. "But he wants to do it in a comprehensive manner that will reform our whole tax system and give property tax relief to our homeowners."

The property tax relief proposal would change the law to prevent homeowners from being socked with property tax increases in any year their homes' market values decreased. It's in the form of a resolution, which probably would receive the necessary two-thirds Senate approval, and could be presented to statewide voters as early as February.

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